

Perspectives on Future Climate Policy



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UNEPFI Side Event
UNFCCC COP11/MOP1
Montreal, 05/12/05



OVERVIEW

- Introduction to The Climate Group
- Views on long-term climate policy:
 - TCG members
 - TCG/UKBCSE survey
 - Business Forecast conference (UK Gov't/TCG)

MISSION

- > *Key concepts:*
- > Isolated examples of successful emissions reductions exist, but not well-known and poorly understood
- > *>30 companies, >14 municipal governments have cut emissions, five companies by >60% (saving \$3 Billion)*
- > 'The debate' is negative, confidence in acting is low & most people are unsure of what steps to take
- > There is no compelling vision of the future
- > **Climate Group mission to identify & promote leaders & solutions, and to build a sufficiently large leadership coalition to begin to put the world on track for a low carbon economy**

STRATEGY

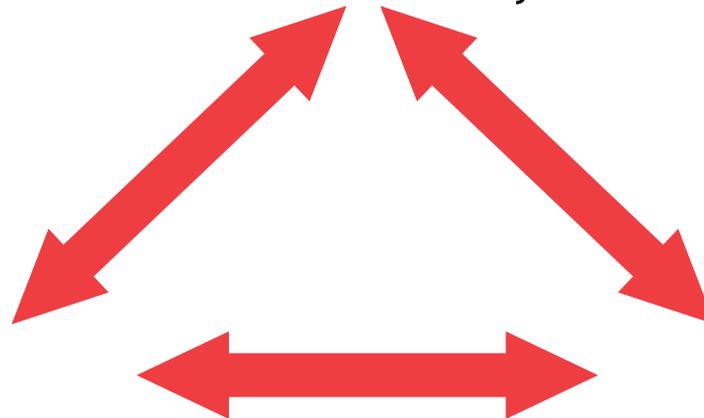
INFORM, INSPIRE & ENABLE

ENABLING LEADERS TO LEAD

- Building the coalition
- A critical mass in key countries

RESEARCH: ADD VALUE ON THE "HOW TO"

- Case studies
- Strategic Review
- Conference of Reducers
- Leadership Groups
- The Climate University (tbc)



HIGH IMPACT COMMUNICATIONS

- Media ` Relations
- Events
- NSEW
- Climate Index (tbc)

BUILDING OUR CAPACITY TO DELIVER

- Strengthen the US and UK and expand into Asia Pacific
- Develop key partnerships on key themes
- Secure Funding Base

IMPLEMENTING THE STRATEGY

- > **1. ENABLING LEADERSHIP:** Of the world's leading reducers (companies and city, state and national governments), facilitate information sharing, assist making further reductions
 - *INVITATIONAL MEETINGS*
 - *WORKING GROUPS: Retail & Consumer Goods (with CACP); Banking & Finance; Leading/Major Cities (with ICLEI); Green Power Buyers (with WRI)*
 - *MEMBERSHIP PROGRAM: Research 'helpdesk'; extranet site; profiling leadership*

- > **2. RESEARCH:** Knowledge resource on successful examples of emissions reduction actions, policies & technologies
 - *CASE STUDIES: Rolling program in publications/ on website*

IMPLEMENTING THE STRATEGY

Sophy Bristow/Climate
02077200416.04
To: heidi.walker@gpc.com
cc: walker@climategroup.org
bcc:
Subject: test from sophy

> **3. COMMUNICATE STRONGLY:** Profiling successful actions/leaders; encouraging new leaders and building momentum; building confidence within wider business and policy community that reductions are possible, cost effective & even profitable

- **HIGH PROFILE EVENTS**
- **MEDIA RELATIONS & POSITIVE CAMPAIGNS** : press trips, report releases, features, targeted advertising
- **ON-LINE PROGRAM:** Website & monthly newsletter

360°

THE CLIMATE GROUP E-BULLETIN

ISSUE 61 - MAY/JUNE
IN THE HEADLINES
Oil chief voices fears for planet • Oil prices reach record high • California at the forefront on greenhouse gas legislation • 740,000

CEO₂

For any corporation, the carbon dioxide emissions sack stops with its senior executives. The same group of individuals whose primary responsibility is maximising profits.

The problem is how to make a significant reduction to the firm without having the same effect on the latter.

In 1998, BP set itself the target of reducing its greenhouse gas production by 10% within twelve years. It achieved that goal within three and, although the programme cost the company 20 million dollars, it saved them 650 million.

Similarly, by switching the majority of its operations to 'green' electricity, HSBC will reduce its carbon dioxide output in the UK by an estimated 50,000 tonnes this year without any operational

And it isn't just the private sector who are reaping the benefits.

The British Government has developed one of the first national emissions trading schemes, putting London at the heart of the new European initiative. Its investment in renewable energy is estimated to create 30,000 jobs by 2020.

If you'd like to join the new global leadership alliance that's helping to prevent climate change, it's time to talk to The Climate Group.

We're a non-profit making organisation who take the pioneering experience of corporations, governments and financiers around the world and make it available for the benefit of everyone. And everything.

For further information, please visit

2ND-QTR SIZZLE PROFITS AT 900 COMPANIES 07.20
PAYING FOR COLLEGE BEWARE OF THOSE HIGH 529 FEES 07.30
TERRORISM WHAT COMPANIES STILL NEED TO DO 07.20

BusinessWeek

GLOBAL WARMING

Why Business Is Taking It So Seriously

© The Guardian Wednesday April 28 2004

National news

New front opened in fight against climate change

Key Outcomes of the Business Forecast

- The importance and urgency of addressing climate change is **no longer in doubt**
- Increasing number of companies seeing climate change as an **opportunity** - internal efficiency and productivity gains, improved reputation, potential to sell low carbon products and services.
- More than 60% of the audience believed we can tackle climate change **without affecting economic growth**
- Over **three quarters** of their participants -from a range of business sectors - stated that their organisations were **already taking action** to cut their greenhouse gas emissions.

Views on current climate/energy policy

- Majority of the companies see climate change, climate and energy policy as of extreme importance.
- Some companies responding strategically to climate change, others directly to policy-led compliance or opportunities.
- Companies at the forefront of C market development respond directly to new policy environment - arguably most affected by signals from the international community;
- National energy policy issues - ETS, renewables or efficiency regulation - have particular impact on utilities, renewable investors or manufacturers, KP itself - one step removed.

Current business drivers

- Carbon price, and assumptions about future C price - central factor in driving commercial activity on 'climate change': direct impact on investment decisions.
- Nearly all businesses affected by ETS directly through constraint, trading activities, client interests.
- Lack of price certainty post-2012 is already creating a 'wait and see' impact on utility investment decisions
- Unanimous view that mandatory caps (within ETS) are critical element to providing scarcity and driving demand - strong preference for absolute targets.
- Specific issues e.g. translation of linking directive into national law also important (if restricts type of CERs)

Current business drivers

- National policies (eg UK's RO, EEC) as important as ETS in driving utility decisions. Nat'l renewable incentives decisive for RE companies (effectiveness varies)
- Security of supply important context - high gas prices creating greater interest in renewables: utilities as hedge, countries developing indigenous resources.
- Some bigger multinationals (oil & gas; banking) not driven by international policy but by own assessment & need to understand business implications -now business efficiency, positioning, product development.
- Shift from business risk to business opportunity starting, but a lot of early activity (eg energy sector interest in CDM) is hedging.

Climate, Investment and Finance

Risks and Opportunities for Investors

- Investors concerned about CC and policy because of need to protect value: compliance, reputation and physical risks
- Investors beginning to check that companies have carbon management systems
- Many opportunities to create shareholder value
- Investors beginning to see opportunities by switching assets within & between sectors and geographically
BUT...

Climate, Investment and Finance

Risks and Opportunities for Investors

- Impact is still small BECAUSE... Still uncertainty around facts and policy
- Lack of confidence that gov't will allow C prices high and long-term enough to change inv't decisions
- Short-termism by investors and hiding behind short-term return basis of fiduciary duty/mandates
- Incomplete disclosure by companies on carbon risks and opportunities
- Level playing field needed: avoid business migration and arbitrage

Climate, Investment and Finance

Financing the shift to a low C economy

- There are many big opportunities: efficiency, clean energy, low C products/services
- Clean energy market expected to grow by 20-25%/year - 2020 potential \$1.9 trillion
- Wind and other renewables can provide medium risk, medium return opps now.
- Public-private partnerships can help reduce risk and bring investments forward
- BUT...

Climate, Investment and Finance

Financing the shift to a low C economy

- More consistent regulation is needed: across policies, time and geographically....
-policy certainty (C price exists) over 15-20 years for investment certainty, esp. post 2012
-joined up policy initiatives: eliminate distortions so investment driven by returns not taxes
- Strong commitment to emissions trading necessary as a spur to investment
- Government needs to be ambitious in setting performance standards e.g. buildings, vehicles, appliances

Climate, Investment and Finance

Financing the shift to a low C economy

- Need market education on true cost of power
- Maximise return on government investment: R&D in emerging technologies, esp. pre-commercial finance, infrastructure, multipliers e.g. insurance
- Design scale of support to scale of technologies
- Government support for low-C innovation - more and more flexible (e.g. definitions)
- Financial institutions need more joined-up strategies e.g. insurance/asset management

IN SUMMARY

- Climate change is clearly a risk but also a major opportunity for business.
- The technologies and tools for reducing emissions already exist - many are also profitable. **Energy efficiency** is a win-win for all sectors
- Businesses that show leadership can reap many benefits - efficiency, productivity new products and services.
- Inaction is bad for the climate and bad for business
- The EU ETS has brought carbon into the boardroom however it is not yet leading to deployment of low carbon technology - long-term certainty is needed

IN SUMMARY - POLICY RECOMMENDATIONS

- 2013 is crucial: Int'l framework or series of linked regional agreements and targets will drive the ETS and domestic policy. to achieve a global C market that drives domestic reductions
- Policy needs to be consolidated - across jurisdictions, policies, sectors and time - and a piecemeal approach avoided, especially in the EU and after 2012
- Businesses need to know that carbon will have a value through to at least 2025 to allow strategic investment decisions to be affected, by 2008-9
- Regulation is necessary to create a safe market place, cf stock, currency markets; to create long-term value for low carbon assets

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THANK YOU



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